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CERTIFIED PUBLIC ACCOUNTANTS

LAKE LORMAN UTILITY CORPORATION
d/b/a LAKE LORMAN UTILITY DISTRICT

MADISON, MISSISSIPPI
FINANCIAL STATEMENTS
FOR THE YEARS ENDED OCTOBER 31, 2025 AND 2024

*Ridgeland, Clinton, and Yazoo City,
Mississippi*

LAKE LORMAN UTILITY CORPORATION
d/b/a LAKE LORMAN UTILITY DISTRICT

NOTES TO FINANCIAL STATEMENTS - CONTINUED
FOR THE YEARS ENDED OCTOBER 31, 2025 AND 2024

1. SIGNIFICANT ACCOUNTING POLICIES – (Continued)

Concentrations of Credit Risk

The Organization provides services on credit to its customers, all of whom are located within the boundaries of the utility district in Madison County, Mississippi. The Organization performs ongoing credit evaluations of its customers. The Organization has adjusted accounts receivable for all known uncollectible accounts.

The Organization maintains cash deposits at banks which are insured by the Federal Deposit Insurance Corporation (FDIC). The FDIC insures cash balances up to \$250,000 per institution extends to interest bearing and non-interest-bearing accounts. At October 31, 2025 and 2024, the uninsured cash balance was \$250,692 and \$41,318, respectively.

Cash and cash equivalents

For financial statement purposes, the Organization considers all investments with original maturity of twelve months or less to be cash equivalents.

Accounts Receivable

Revenue from water and sewer services is recognized when earned. An account will be written off as a bad debt when it has been determined to be uncollectible. A valuation allowance has been established, based on an evaluation of each account. The valuation allowance for the years ended October 31, 2025 and 2024 were zero.

Property and Equipment

Property and equipment are valued at cost. Maintenance, repairs and minor replacements are expensed as incurred, significant renewals and betterments are capitalized. Depreciation is provided using the straight-line method over the estimated useful life of the asset as follows:

Water facilities and equipment – 5 to 30 years
Software – 3 years

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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Lake Lorman Utility Corporation
d/b/a Lake Lorman Utility District
Madison, Mississippi

Opinion

We have audited the accompanying financial statements of Lake Lorman Utility Corporation d/b/a Lake Lorman Utility District (a nonprofit organization), which comprise the statement of financial position as of October 31, 2025 and 2024, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lake Lorman Utility Corporation d/b/a Lake Lorman Utility District as of October 31, 2025 and 2024, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Lake Lorman Utility Corporation d/b/a Lake Lorman Utility District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

LAKE LORMAN UTILITY CORPORATION
d/b/a LAKE LORMAN UTILITY DISTRICT

STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED OCTOBER 31, 2025 AND 2024

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	2025	2024
NET ASSETS WITHOUT RESTRICTIONS		
REVENUES AND OTHER SUPPORT		
Water revenue	\$ 186,388	\$ 175,310
Sewer revenue	237,751	215,740
Tap and trench - new meters	3,919	905
Interest income	2,800	5,537
Late fees	2,462	3,748
Insurance proceeds	12,091	-
Sale of land	3,000	-
Other income	416	25
	448,827	401,265
 EXPENSES		
Program	310,492	312,545
Management and general	43,400	44,704
	353,892	357,249
 CHANGE IN NET ASSETS	94,935	44,016
 NET ASSETS AT BEGINNING OF YEAR	506,342	462,326
 NET ASSETS AT END OF YEAR	\$ 601,277	\$ 506,342

See notes to financial statements.

LAKE LORMAN UTILITY CORPORATION

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED OCTOBER 31, 2025

LAKE LORMAN UTILITY CORPORATION
d/b/a LAKE LORMAN UTILITY DISTRICT

STATEMENTS OF FINANCIAL POSITION - CONTINUED
AT OCTOBER 31, 2025 AND 2024

	Program	Management & General	Fundraising	Total
Bank service charges	\$ -	\$ 1,046	\$ -	\$ 1,046
Depreciation	28,748	1,321	-	30,069
Insurance	4,943	1,395	-	6,338
Interest	-	5,055	-	5,055
Management fees	-	15,763	-	15,763
Miscellaneous	739	739	-	1,478
Per diem	-	1,925	-	1,925
Postage	1,022	1,021	-	2,043
Professional fees	-	15,135	-	15,135
Repairs and maintenance	221,122	-	-	221,122
Utilities - water and sewer	53,918	-	-	53,918
	<u>\$ 310,492</u>	<u>\$ 43,400</u>	<u>\$ -</u>	<u>\$ 353,892</u>
Percentage	<u>88%</u>	<u>12%</u>	<u>0%</u>	<u>100%</u>

LIABILITIES AND NET ASSETS

	2025	2024
CURRENT LIABILITIES		
Current installments of long-term debt	\$ 63,874	\$ 62,299
Accrued interest payable	269	269
Meter deposits	<u>28,520</u>	<u>27,410</u>
	92,663	89,978
LONG-TERM DEBT, net of current portion		
	<u>104,455</u>	<u>168,329</u>
	<u>197,118</u>	<u>258,307</u>
NET ASSETS		
Without donor restrictions		
Undesignated	558,577	463,642
Board designated	<u>42,700</u>	<u>42,700</u>
	<u>601,277</u>	<u>506,342</u>
	<u>\$ 798,395</u>	<u>\$ 764,649</u>

See notes to financial statements.

See notes to financial statements.

LAKE LORMAN UTILITY CORPORATION
d/b/a LAKE LORMAN UTILITY DISTRICT

STATEMENTS OF FINANCIAL POSITION
AT OCTOBER 31, 2025 AND 2024

ASSETS	2025	2024
	<u>2025</u>	<u>2024</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 565,925	511,489
Accounts receivable	25,828	29,494
Prepaid expenses	14,213	11,503
	<u>605,966</u>	<u>552,486</u>
CASH RESTRICTED	<u>71,220</u>	<u>70,110</u>
PROPERTY AND EQUIPMENT		
Land	64,440	64,440
Water facilities and equipment	2,871,482	2,862,257
Software	8,357	8,357
	<u>2,944,279</u>	<u>2,935,054</u>
Less: accumulated depreciation	<u>(2,823,220)</u>	<u>(2,793,151)</u>
	<u>121,059</u>	<u>141,903</u>
DEPOSITS	<u>150</u>	<u>150</u>
	<u>\$ 798,395</u>	<u>\$ 764,649</u>

See notes to financial statements.

LAKE LORMAN UTILITY CORPORATION

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED OCTOBER 31, 2024

	Management			Total
	Program	& General	Fundraising	
Bank service charges	\$ -	\$ 1,596	\$ -	\$ 1,596
Depreciation and amortization	28,811	1,321	-	30,132
Insurance	4,589	1,296	-	5,885
Interest	-	6,592	-	6,592
Management fees	-	14,079	-	14,079
Miscellaneous	3,346	3,346	-	6,692
Per diem	-	1,995	-	1,995
Postage	800	799	-	1,599
Professional fees	-	13,680	-	13,680
Repairs and maintenance	230,479	-	-	230,479
Utilities - water and sewer	44,520	-	-	44,520
	<u>\$ 312,545</u>	<u>\$ 44,704</u>	<u>\$ -</u>	<u>\$ 357,249</u>
Percentage	<u>87%</u>	<u>13%</u>	<u>0%</u>	<u>100%</u>

See notes to financial statements.

LAKE LORMAN UTILITY CORPORATION
d/b/a LAKE LORMAN UTILITY DISTRICT

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED OCTOBER 31, 2025 AND 2024

	<u>2025</u>	<u>2024</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 94,935	\$ 44,016
Adjustment to reconcile change in net assets to net cash provided by operating activities		
Depreciation	30,069	30,132
Decrease (increase) in		
Accounts receivable	3,666	3,438
Increase (decrease) in		
Accrued interest	-	(170)
Meter deposits and agency funds payable	1,110	1,400
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>127,070</u>	<u>78,816</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(9,225)	(18,340)
Increase (decrease) in restricted cash	<u>(1,110)</u>	<u>(1,400)</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(10,335)</u>	<u>(19,740)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of long-term debt	<u>(62,299)</u>	<u>(60,763)</u>
NET INCREASE (DECREASE) IN CASH	54,436	(1,687)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>511,489</u>	<u>513,176</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$565,925</u>	<u>\$ 511,489</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the year for interest	<u>\$ 5,055</u>	<u>\$ 6,762</u>

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Matthews, Carter & Lindsey, P.A.

Ridgeland, Mississippi
January 24, 2026

See notes to financial statements.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Lake Lorman Utility Corporation d/b/a Lake Lorman Utility District's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Lake Lorman Utility Corporation d/b/a Lake Lorman Utility District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Lake Lorman Utility Corporation d/b/a Lake Lorman Utility District's ability to continue as a going concern for a reasonable period of time.

LAKE LORMAN UTILITY CORPORATION d/b/a LAKE LORMAN UTILITY DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED OCTOBER 31, 2025 AND 2024

1. SIGNIFICANT ACCOUNTING POLICIES

Organization and Activities

Lake Lorman Utility Corporation (the Organization) is a non-profit corporation formed in the state of Mississippi. The Organization provides water and sewer services to both residential and non-residential entities in Madison County, Mississippi.

Basis of Presentation

The financial statements of the Organization have been prepared in on the accrual basis in accordance with accounting principles generally accepted in the United States of America, which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions. These net assets may be used at the discretion of the Organization's management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts and disclosures. Actual amounts could differ from those results.

LAKE LORMAN UTILITY CORPORATION
d/b/a LAKE LORMAN UTILITY DISTRICT

NOTES TO FINANCIAL STATEMENTS - CONTINUED
FOR THE YEARS ENDED OCTOBER 31, 2025 AND 2024

5. MANAGEMENT AGREEMENT

The operations of the Organization are managed by North Hinds Water Association. Amounts incurred for management fees for the years ended October 31, 2025 and 2024 totaled \$15,763 and \$14,079, respectively.

6. LIQUIDITY

The following reflects the Organization's financial assets as of October 31, 2025 reduced by amounts not available for general use within one year because of contractual or donor-imposed restrictions.

Cash and cash equivalents	\$ 565,925
Cash - restricted	71,220
Accounts receivable	25,828
Prepaid expenses	<u>14,213</u>
Financial assets available	677,186
Less those unavailable for general expenditures within one year due to:	
Subject to board designation and restricted deposits	<u>(71,220)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 605,966</u>

The Organization does not maintain an operating reserve account to cover the average monthly operating costs, excluding noncash expenses. However, the average monthly costs were approximately \$27,000 for the year ended October 31, 2025. The Organization had approximately 22 months of financial assets available to meet its average monthly operating costs for the year ended October 31, 2025. The Organization does not have a policy regarding the investment of cash in excess of daily requirements.

7. SUBSEQUENT EVENTS

In connection with the preparation of the financial statements, management has evaluated events through January 24, 2026, which is the date the financial statements are available to be issued and concluded that no additional disclosures are required.

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LAKE LORMAN UTILITY CORPORATION
d/b/a LAKE LORMAN UTILITY DISTRICT

NOTES TO FINANCIAL STATEMENTS - CONTINUED
FOR THE YEARS ENDED OCTOBER 31, 2025 AND 2024

1. SIGNIFICANT ACCOUNTING POLICIES – (Continued)

Revenue Recognition

The Organization recognizes revenue as water and sewer services are provided to its customers, which happens over time as the service is deliverable and the performance obligation is satisfied. Generally, payment is due within 30 days once a bill is issued to a customer.

Water revenues represent revenues earned for supplying customers with water service. Sewer revenues represent revenues earned for treating wastewater. Other revenues are associated fees that relate to the regulated business but are not water and sewer revenues.

Income Taxes

The Organization is a tax-exempt organization as described in Section 501(c)(12) of the Internal Revenue Code and is generally exempt from Federal and State income taxes pursuant to Section 501(a) of the Code. The Organization believes it has no uncertain tax positions. Federal Form 990, Return of Organization Exempt from Income Tax, is subject to examination by the Internal Revenue Service, generally for three years after it is filed.

2. RESTRICTED CASH

Restricted cash is as follows:

	<u>2025</u>	<u>2024</u>
Operating reserve	\$ 42,700	\$ 42,700
Customer meter deposits	<u>28,520</u>	<u>27,410</u>
	<u>\$ 71,220</u>	<u>\$ 70,110</u>

The Organization has meter deposits received from customers that are held in a restricted cash account along with other board designated funds.

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LAKE LORMAN UTILITY CORPORATION
d/b/a LAKE LORMAN UTILITY DISTRICT

NOTES TO FINANCIAL STATEMENTS - CONTINUED
FOR THE YEARS ENDED OCTOBER 31, 2025 AND 2024

LAKE LORMAN UTILITY CORPORATION
d/b/a LAKE LORMAN UTILITY DISTRICT

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3. LONG-TERM DEBT

The details of long-term debt are as follows:

	<u>2025</u>	<u>2024</u>
State of Mississippi Department of Health, Drinking Water System Improvement payable in monthly installments of \$5,613 including interest at 2.5% maturing May, 2028.	\$ 168,329	\$ 230,628
Less curent installments	<u>(63,874)</u>	<u>(62,299)</u>
	<u>\$ 104,455</u>	<u>\$ 168,329</u>

At October 31, 2025, maturities of long-term debt are as follows:

<u>Year Ending October 31</u>	
2026	\$ 63,874
2027	65,489
2028	<u>38,966</u>
	<u>\$ 168,329</u>

4. BOARD DESIGNATED NET ASSETS

Net assets without donor restrictions have been set aside for the following purposes:

Operating reserve	<u>\$ 42,700</u>	<u>\$ 42,700</u>
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INDEPENDENT AUDITOR'S REPORT

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